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RECENT DEVELOPMENTS IN SWEDISH ECONOMIC

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RECENT DEVELOPMENTS IN SWEDISH ECONOMIC POLICY

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Stockholm reacted to the contractionary threat of increased oil prices by enacting a package of expansionary fiscal measures on April 1, 1974. The resulting increase in subsidies on basic foodstuffs, transfer payments to households, and reductions in the value-added tax are estimated to have put about \$900 million into the economy in 1974. Combined with \$450 million pumped in by similar actions approved in October, 1973, the April package stimulated the economy by an amount almost equal to the higher payout for oil.

Last November, with a view to restraining labor's demands in the annual wage negotiations now underway, the government asked Parliament for authority to tap the profits of large corporations. A proposed increase in payroll taxes was to be used to finance a reduction of \$250 million in the income taxes of low- and middle-income individuals. In addition, the corporations were to be required to deposit about \$800 million -- approximately 35% of 1974 profits -- into special accounts in the Riksbank from which expenditures could be made to improve working conditions, expand productive capacity, build up inventories, and finance energy conservation programs.

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During 1974 the Riksbank tightened monetary policy to counteract a sharp rise in demand for credit and sizable losses of foreign exchange reserves. The discount rate was raised one percentage point -- from 5.0 to 6.0 percent -- in April and again in August to 7.0 percent. The gap between Swedish rates and those of some other developed countries was not completely closed, however, for fear of adverse effects on housing and industrial investment.

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## SWEDEN: SELECTED STATISTICS

	1970	1971	1972	1973	1974
Exchange rates (Kronor per \$) (Trade conversion factor)	5.173	5.115	4.762	4.367	4.440 <sup>e</sup>
Gross Domestic Product (GDP) (Million US \$)					
In current prices	32,902	35,785	41,819	49,830	57,500 <sup>e</sup>
Growth rate (%)	11.6	8.8	16.9	19.2	15.4
In 1968 prices	29,767	30,161	33,194	36,808	38,526 <sup>e</sup>
Growth rate (%)	4.5	1.3	10.0	10.9	4.6
Gross Private Investment (Million US \$)					
In current prices	2,798	3,063	3,712	4,576	5,635 <sup>e</sup>
As share of GDP (%)	8.5	8.6	8.9	9.2	9.8
In 1968 prices	2,615	2,703	3,094	3,458	3,804 <sup>e</sup>
As share of GDP (%)	8.8	9.0	9.3	9.4	9.9
Consumer Price Index (1949=100)	236	254	269	287	316
Wholesale Price Index (1949=100)	200	207	218	242	309 <sup>2</sup>
Unemployment <sup>1</sup> (%)	1.5	2.5	2.7	2.5	2.1
Trade (Million US \$)					
Exports (f.o.b.)	6,794.9	7,472.8	8,746.7	12,140.9	15,833.2
Imports (c.i.f.)	7,007.7	7,075.6	8,061.7	10,602.7	15,916.1
Balance	-212.8	397.2	685.0	1,538.2	-82.9

<sup>e</sup>estimate<sup>1</sup>Calculated as a share of the total labor force. For 1970-73, an average of the twelve surveys carried out annually. For 1974, an average of the first 10 months.<sup>2</sup>As of September 1974.